



IV. Risk Management



USDA officials talk with a farmer about using alternative risk management strategies and tools to help lessen the risks of farming.

Commission Recommendations: The recommendations in the Commission's report, *A Time to Act*, called for designing crop insurance programs appropriate for diversified farming operations, using sustainable agriculture methods instead of a single-crop focus, and targeting of crop insurance subsidies as defined by the Commission.

The Commission also recommended that USDA examine the Risk Management Agency's Revenue Assurance Program to determine how revenue assurance can be made more appropriate to the needs of small farms.

AGENCY HIGHLIGHTS

Risk Management Agency (RMA)

- **Agricultural Risk Protection Act (ARPA):** On June 21, 2000, the ARPA was signed into law. It takes important steps to strengthen the farm safety net. Highlights from ARPA include:
 - Makes Federal crop insurance more affordable and useful to all farmers through increased subsidies on buy-up coverage (*A Time to Act Report*, Recommendation 4.13c),
 - Improves the noninsured crop disaster assistance program (NAP) by lifting the area trigger (*A Time to Act Report*, Recommendation 4.13d),
 - Contains funding for development of new kinds of crop insurance products and for educating producers about crop insurance and other ways to lessen the risks of farming; and includes recognition of scientifically sound sustainable and organic farming practices, as good farming practices.
- **Private Sector Initiatives:** RMA has been busy implementing ARPA throughout FY 2001. One of the major goals of ARPA is to stimulate private sector development of new, innovative risk management tools and products to broaden the producer safety net to meet the demands of a dynamic agricultural market and to educate producers about crop insurance and other ways to



lessen the risks of farming. For FY 2001, almost \$20 million in 27 States was awarded for:

- Research and development of new programs and policies, including analyzing interest in and feasibility of developing new risk management products;
- Awards that focus on teaching agricultural producers how to best use risk management tools; and
- Awards to improve services to small, limited-resource, and underserved communities.

- **Premium Discount Statistics:** ARPA authorized an additional 25 percent premium discount and permanent new subsidies at higher levels of protection (*A Time to Act Report*, Recommendation 4.13c). Reports show a substantial increase in crop insurance sales and massive shifts to revenue insurance products, while Actual Production History coverage acreage dropped 49 percent. Crop Revenue Coverage (CRC) has tripled and currently covers about 51 percent of all acreage reported to date. CRC covers 67 percent of all crop insurance in force. The Revenue Assurance Program, now available in the southern plains, has increased by 7 percent.



- **Organic Farming Practices:** Beginning with 2001, RMA is providing insurance coverage on organic farming practices on all crops currently covered under the crop insurance program by written agreements, which can be obtained through private insurance companies.

- **Risk Management Education (RME):** ARPA recognized the importance of producer education as a part of an effective overall risk management program by providing funding for an expanded risk management education program (*A Time to Act Report*, Recommendation 4.12b):

- **Crop Insurance Education and Information in Underserved States:** RMA is directed to target producers in States that have been underserved by crop insurance with a special RME effort. The Secretary selected 15 States for this program: Maine, New Hampshire, Vermont, New York, Connecticut, Massachusetts, Rhode Island, New Jersey, Delaware, Pennsylvania, Maryland, West Virginia, Wyoming, Utah, and Nevada. These States have a *disproportionately large share of small farmers*. RMA funded cooperative/partnership agreements for education and information to benefit agricultural producers in most of these States for FY 2001: Connecticut, \$297,000; Delaware, \$160,000; Maine, \$285,000; Maryland, \$285,000; New Hampshire, \$200,000; New Jersey, \$325,000; New York, \$300,000; Pennsylvania, \$365,000; Rhode Island, \$165,000; and Vermont, \$200,000.

- **Specialty Crop Insurance Programs/ Partnerships for Risk Management Development and Implementation:** RMA has over 100 crop insurance plans currently available. Under ARPA, RMA is directed to form partnerships to conduct producer training in risk management, with a priority to producers of specialty crops. Small farms represent a significantly large percentage of specialty crop producers. RMA established educational partnerships totaling more than \$2 million for FY 2001. State Agriculture Departments receiving funds are: Florida, \$400,000; Michigan, \$250,000; Utah, \$219,000; Virginia, \$200,000; Washington, \$200,000; and West Virginia, \$290,000.



- **Agricultural Management Assistance:** For FY 2001, a cost-share assistance program is available in 11 northeastern underserved States listed above (Crop Insurance Education and Information in Underserved States). This cost share assistance program pays for 50 percent of the premium cost for the Adjusted Gross Revenue (AGR) insurance program. AGR is an innovative “whole farm” revenue pilot program that provides coverage for diversified cropping systems, along *with* limited coverage for livestock as part of a crop-livestock operation. AGR is available in 214 counties and 17 States. Diversified, small farms are the primary beneficiaries of this program.

- **Dairy Option Pilot Program (DOPP):** RMA is authorized to expand DOPP to 300 counties and to offer the program for more than one year to producers in pilot counties. DOPP’s relatively low production eligibility requirement (100,000 lbs. of milk over 6-month period) allows dairy farms with as few as 10 cows to participate.

- **Statistics on Risk Management Education (RME) Program:** RME is tasked with increasing agricultural producers’ awareness of risk management alternatives such as production, marketing, and financial risks. It is targeting small farm and other operators for training in agricultural risks and use of risk management tools. RMA-sponsored regional and State conferences are designed to raise awareness for the new risk environment

and to establish partnership networks among university Extension and other agribusiness professionals who influence the decisions producers make. RME coordinators in ten Regional Offices (RO) facilitate local training.

Together with these partners, RME helps fund risk management training and information in local workshops. During 2001, RMA conducted over 838 educational and outreach activities that attracted over 35,000 participants. During FY 2000, RMA conducted 858 activities and 30,095 producers were reached through risk management education sessions.

In FY 1999, 21,036 producers attended over 580 risk management education sessions. These numbers were collected by RME using “Meeting Logs.” The total number of producers attending RME courses has been steadily increasing since 1998 (14,500 producers attended education sessions). Although the number of “small farmers” that we reach is not available, the training sessions were held in areas of the country where small farmers operate and RMA believes that most of the producers reached through these initiatives operate small and limited resource farms.

Risk Management Education (RME) Coordinator Activities during FY 2001:

- **Increasing Participation in the New England States:** As a result of ARPA, the Raleigh RO is developing and implementing a targeted RME program to encourage New England farmers to take advantage of the risk management programs available to them through the RMA. A plan has been developed that includes media releases, personal contact, and contracting with partners to get the message of risk management programs to the underserved New England area.
- **RMA Partnership with Washington State Department of Agriculture (WSDA) and Washington State University:** The Spokane RO has established a partnership agreement between WSDA and RMA to provide risk management education and information to



specialty crop agriculture producers in Washington State. Washington farmers and ranchers grow or raise over 200 crops. Of these, only a few are not specialty crops. Specific needs that will be addressed include training on the various insurance products with special emphasis on Adjusted Gross Revenue (AGR), how to make the insurance decision, and broad based risk management training on how to integrate insurance, marketing, and production risks within the risk bearing capacity of the farm/ranch. Also covered will be the major risk management area facing organic producers as a result of the newly adopted National Organic Program. The partnership agreement has been approved for \$200,000.

■ **Pacific Northwest Tree Fruit Management Education**

Project: The Spokane RO and the Washington State University Cooperative Extension (WSUCE) are partnering to build on the foundation developed by the Pacific Northwest Tree Fruit Management Education project. Additional educational work and activities are needed to focus solely on expanding the outreach of this project in Chelan, Douglas, and Okanogan Counties. WSUCE in collaboration with RMA proposes additional in-depth educational opportunities for agricultural producers in North Central Washington. The objective is to train farmers, ranchers, and their families in the analysis and decision support skills to help them manage the risks inherent in agriculture.

■ **Tree Fruit Working Session with Lenders, Industry, and Congressional Representatives:**

On October 11, 2000, the Spokane RO and the Washington State FSA chaired a working session with tree fruit representatives in Wenatchee, Washington. Representing the tree fruit industries were lenders and representatives from the Washington Horticulture Association, Northwest Horticulture Council, and the Growers Clearing House. The prospect of expanding the Adjusted Gross Revenue Pilot program into Central Washington was one of the main topics at the meeting.

■ **Small Farmers and Landowners Workshop:** On October 26, 2000, Valdosta RO attended and exhibited a booth at the Pee Dee Small Farmers and Landowners Outreach Workshop in Florence, South Carolina.

■ **Farm Credit Services District Meeting:** On November 8, 2000, the Spokane RO attended the Northwest Farm Credit Services District Loan Officer Meeting. RMA provided a presentation on the new Adjusted Gross Revenue Insurance Pilot program. Loan officers are particularly interested in this program as a means of collateral on operating loans.

■ **Pacific Northwest Vegetable Growers Association (PNVGA) Annual Meeting:** On November 13, 2000, the RO presented a session on “Risk Management for Vegetable Growers” at the PNVGA Annual Meeting in Pasco, Washington. This was the first year we were able to address the general session that draws vegetable growers from throughout the Northwest.

■ **Crop Insurance Fact Sheet:** The Spokane RO responded to an independent insurance agent in Bonners Ferry, Idaho (underserved area) who inquired about becoming a crop insurance salesperson. The agent saw the Spokane RO fact sheet, *Wanted: Crop Insurance Agents* that the Professional Insurance Association of Idaho included in their recent newsletter. This fact sheet was developed as a part of the Spokane RO’s effort to promote the need for more crop insurance agents State and nation-wide, primarily minority and women.

■ **Raleigh RO Meets with the Northeast Center for Food Entrepreneurship (NECFE):** On June 12, 2001, representatives from the Raleigh RO met with the NECFE (affiliated with Cornell University) in Raleigh, North Carolina. NECFE is offering an agricultural business training program for startup and expanding businesses called, “Tilling the Soil of Opportunity” by NxLevel Training Network. The focus of the meeting was to discuss potential educational partnerships.



- **Farm Conference Meeting:** Davis RO/FSA/NRCS hosted a Farm Conference meeting June 7, 2001. The California Farm Conference is a nonprofit corporation dedicated to bringing farmers together from throughout the region. The California Farm Conference has an annual conference targeting assistance for producer's needs. The Davis RO sponsored small farmer attendance scholarships last year. This year the RO will become an active board member and increase its level of participation and sponsorship.
- **Hay and Grazing School/Sustainable Agriculture:** Two representatives from the Oklahoma City RO participated in the "Hay and Grazing School: Sustainable Agriculture." This was a RME funded event, in which RMA partnered with the Oklahoma Land Stewardship Alliance Foundation, in Ardmore, Oklahoma. There were approximately 20 attendees. The training focused on the following: financial management, production, marketing strategies, environmental concerns, and human resources.
- **Joint International Summit on Community and Rural Development:** During a summit held July 22-26, 2001, in Duluth, Minnesota, the St. Paul RO joined with 1,200 community and rural development leaders from around the country and the world for this unique and historic gathering. The summit provided time to network and learn from a broad spectrum of community development practitioners, researchers, and teachers. USDA's Rural Development mission area sponsored the summit.
- **Annual Indian Agriculture Symposium Information:** Information was presented at the 14th Annual Indian Agriculture Symposium held in Las Vegas, Nevada. The presentation was part of a panel on Emergency Programs and centered on opportunities resulting from crop insurance reform with special emphasis on education opportunities.
- **Insurance and Educational/Outreach Program:** A presentation was given at the Northwest Intertribal Agriculture Council Conference in Pocatello, Idaho. The focus of the conference was on agricultural issues as they relate to Indian Tribes of the Northwest region and nation. The Shoshone-Bannock Tribal Nation and Fort Hall Intertribal Ag Council were the hosts for this annual event.
- **Northwest Intertribal Agriculture Council Conference in Pocatello, Idaho:** The Spokane Regional Office participated in the Conference and gave an informational presentation on the RMA insurance and educational/outreach program. The focus of the Conference was on agricultural issues as they relate to Indian Tribes of the Northwest region. The Shoshone-Bannock Tribal Nation and the Fort Hall Intertribal Ag Council were the hosts for this annual event.
- **USDA's Gleaning Crop Program:** A combined outreach effort between the Spokane RO and the State and County Farm Service Agency (FSA) offices created more awareness of USDA's Gleaning Program by distributing informational fact sheets to county producers and those who work within the agricultural communities.
- **2501 Project –Farm Workers to Farmers—An American Dream Fulfilled:** The Spokane RO is participating in this event, in an effort set forth by a regionally approved grant proposal to help farm workers transition into farm owners. The project gives RMA the opportunity to generate more awareness of RMA programs to non-USDA entities. The Northwest Area Foundation and Rural Community Development Resources will be monitoring the success of the 1-year pilot grant program.



Risk Management Education (RME) Coordinator Activities during FY 2000:

■ **Sustainable Agriculture Learning Initiative (SALI):**

SALI's goal is to inform crop insurance agents, lenders, and others of sustainable agriculture farming practices to reduce misconceptions about the risk of using sustainable, alternative, reduced or no-chemical methods. RMA's Small Farm Coordinator collaborated with the FSA, CSREES-Sustainable Agriculture Research and Education Program, and the USDA Council for Sustainable Development. The "Center for Rural Affairs" in Nebraska will pilot this project in 2002.

- **Montana Grain Foundation:** The Billings RO partnered with the Foundation and partially funded a grain and livestock marketing session and a marketing club leader-training workshop in June and July 2000 in Montana. The workshops focused on the use of grain and livestock marketing contracts, using crop insurance as a risk management tool, developing a marketing plan, and using the Internet for marketing information.

- **Train the Trainer RME Sessions:** The Oklahoma RO's 2000 RME Plan includes several "train the trainer" sessions in July, 2000, for outreach coordinators from 1890 Schools: Langston University and Prairie View A&M University. The goal of this training is to bring awareness of the risk management tools available so that outreach coordinators from these schools can use this information, incorporate training, and distribute RME handout material in meetings with minority producers in their regions.

- **The Maine Women's Agricultural Network (WAgN):** The Raleigh RO in coordination with the University of Maine partnered with WAgN to support the development of a "list serve discussion group" Internet project. The list serve will reach an unlimited number of WAgN members and other agricultural producers, informing them of risk management tools, resources, and options.



The NRCS Regional Offices have been expanding their efforts to provide recordkeeping training to underserved farmers from various ethnic groups such as Hmongs, Hispanics, African-Americans.

- **New England Successful Farming in the New Millennium Workshop:** The Raleigh RO sponsored a New England workshop in February 2000, in Nashua, New Hampshire. Approximately 100 participants attended the workshop to listen to agricultural representatives discuss marketing and labor related risks. In addition, a Successful Small Farm Marketing Panel breakout session listened to small farm producers explain obstacles and solutions to marketing risks.

- **Risk Management Education/CSREES Listening Session:** On September 25, 2000, the Spokane RO participated on the panel for the CSREES Listening Session in Boise, Idaho. Fifteen participants presented their written comments to the panel. There was also general discussion on the grant process. Testimony was received from five States representing individual producers, commodity organizations, university and extension specialists and Directors. The success of the Pacific Northwest Risk Management Education Project was very evident from almost all presenters. In addition, most presenters expressed appreciation for increased efforts specific to crop insurance education.



- **California RME Workshops:** The Davis RO provided financial assistance in sponsoring RME workshops throughout their region directed at smaller farmers. The assistance has been in cooperation with the University of California and the University of Arizona Extension Service to provide various educational seminars. Small Farm Advisors have been used to teach these workshops, which include education on recordkeeping, financial planning, pest control, and marketing.

To assist small and minority farmers, sessions have also included interpreters who translated the information into Hmong and Spanish. An RME grant was also given to the Salinas California Community Center to educate Spanish-speaking growers on various agricultural issues and risks. The Davis RO is also working with the University of California Small Farm Director to develop educational programs for small farms throughout California.

- **Risk Management for Pacific Northwest Agriculture: “A Continuing Education Crop Insurance Conference.”** The Spokane RO partnered with Reinsured Companies and Washington State University Cooperative Extension and conducted a continuing education crop insurance conference in June 2000, in Spokane, Washington. This conference provided education to crop insurance agents (commodity organizations, brokers, lenders, and others) with hopes they will become advocates of total farm risk management. Training included a session on needs of small limited-resource farmers to encourage crop insurance companies to increase their minority and women sales agents and loss adjusters.

- **Pilot Organic Crop Insurance Meeting:** The St. Paul RO held two “committee” meetings for organic farmers during June 2000, to explain a proposed pilot program on certified organic farming practices.

- **USDA’s Beginning Farmers Advisory Committee:** The Valdosta RO provided a report to the Advisory Committee on RME activities for one of the 1999 RME Request for Proposals Grants. In FY 1998, four RME grants specifically targeted small and limited-resource farm groups, totaling \$880,000. These grants went to the Georgia Department of Education’s “Young Farmers Program.” The Young Farmers Program consists of 56 young farmer-teachers who provide risk management training for minority and limited-resource farmers throughout Georgia.

For more information on the Risk Management Agency, please visit our web site at www.rma.usda.gov/.